



Nepal: South Asia Subregional Economic Cooperation Customs Reform and Modernization for Trade Facilitation Program

Project Name	South Asia Subregional Economic Cooperation Customs Reform and Modernization for Trade Facilitation Program
Project Number	50254-001
Country	Nepal
Project Status	Approved
Project Type / Modality of Assistance	Loan
Source of Funding / Amount	<p>Loan: South Asia Subregional Economic Cooperation Customs Reform and Modernization for Trade Facilitation Program</p> <p>concessional ordinary capital resources lending / Asian Development Fund US\$ 21.00 million</p>
Strategic Agendas	Inclusive economic growth Regional integration
Drivers of Change	Governance and capacity development Private sector development
Sector / Subsector	Industry and trade - Industry and trade sector development - Trade and services
Gender Equity and Mainstreaming	No gender elements
Description	The program will support the simplification, harmonization, and modernization of Nepal's trade processes to meet international standards. This will contribute to Nepal's national goals of promoting and diversifying exports, and help the country fulfill its commitments to the Trade Facilitation Agreement (TFA) of the World Trade Organization (WTO) and related international standards on customs.
Project Rationale and Linkage to Country/Regional Strategy	A robust merchandise sector and increased merchandise exports are expected to serve as vehicles for economic growth and poverty reduction in Nepal. As a landlocked country virtually isolated from external markets, Nepal, however, has high trade costs, impeding export competitiveness. Inefficient, unpredictable, and opaque customs procedures are among the primary nontariff barriers which contribute to high trade costs, poor business climate, and inability to integrate into global value chains. Estimates show that for Nepal, nontariff trade costs are equivalent to applying a 325% ad valorem tariff on manufactured exports, 523% on agricultural products, and 391% overall. Nepal has made a global commitment to undertake customs reforms by acceding to the WTO's TFA, which aims to simplify, modernize, and harmonize export and import processes primarily through reforms to customs clearance procedures. Implementing TFA reforms for Least Developed Countries like Nepal is expected to increase the number of products exported by destination by 11.8% 12.8% and raise the number of destinations by product by 14.1% 21.3%. The program supports exports and economic growth through customs reform and modernization to lower trade costs, transforming Nepal's Department of Customs from a revenue-collecting enforcement body to risk-based, trade-facilitating operations. The program is consistent with ADB's country partnership strategy, 2013 2017 for Nepal, which highlights support for customs modernization and transport connectivity as complementary investments to be coordinated through the South Asia Subregional Economic Cooperation (SASEC) program. The program is in the project pipeline of ADB's Operational Plan for Regional Cooperation and Integration, 2016 2020 and aligns with the SASEC Operational Plan, 2016 2025.
Impact	Nepal's exports expanded and export competitiveness increased

Project Outcome

Description of Outcome	Legitimate trade's access to simplified, harmonized, and modernized trade processes increased.
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Progress Toward Outcome

Implementation Progress

Description of Project Outputs	National policy and legal framework for trade facilitation improved Customs procedures improved DOC organizational structure strengthened DOC's capacity enhanced
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Status of Implementation Progress (Outputs, Activities, and Issues)

Geographical Location

Safeguard Categories

Environment	C
Involuntary Resettlement	C
Indigenous Peoples	C

Summary of Environmental and Social Aspects

Environmental Aspects	The Program has no environmental aspects.
Involuntary Resettlement	The Program has no social aspects with regard to involuntary resettlement.
Indigenous Peoples	The Program has no social aspects with regard to indigenous peoples.

Stakeholder Communication, Participation, and Consultation

During Project Design	The stakeholders are trade-related public and private sector entities, represented in the Customs National Trade Facilitation Committee (CNTFC), including: Ministry of Finance, Department of Customs, Customs field offices, other trade-related government ministries (Ministry of Commerce, Ministry of Agricultural Development, Ministry of Industry), banks, manufacturers, producers of agricultural goods, traders, freight forwarders, customs agents, among others. Upon conception of the program in September 2014, initial consultation sessions were held in Kathmandu and the field locations. At the field locations, local chambers of commerce, manufactures, cooperatives, customs clearing agents, and freight forwarders were visited in addition to local government offices. Following the initial consultation, a number of stakeholder consultations have been held as part of the project review missions at an interval of 4-6 months. In November 2016, a national consultation session workshop was organized, inviting these public and private sector representatives. While the workshop's primary aim was to discuss the draft Customs Reform and Modernization Strategies and Action Plan (CRMSAP), 2017-2021, the agenda included discussions on the CRMSAP reform areas to be supported by ADB's policy-based lending. Major reform actions to be supported by the Program were confirmed, together with endorsement of the CRMSAP design.
During Project Implementation	The program will be implemented over 4 years starting July 2017. The executing and implementing agency will be the Department of Customs (DOC). A program steering committee, chaired by the Director General of the DOC, will be formed to guide and monitor implementation. Members will be drawn from the Ministry of Finance, Ministry of Commerce, Department of Industry, and the DOC. Members of the CNTFC and ADB may be invited to the steering committee meetings. The steering committee will present the progress and discuss issues on program implementation at regular CNTFC meetings. The DOC will form a program implementation framework, headed by its Deputy Director General (Management), supervising five thematic task forces of: (i) coordination; (ii) legislation; (iii) automation; (iv) risk management; and (v) organization and development. The disbursement of loan proceeds will be made in accordance with the Loan Disbursement Handbook (2015, as amended from time to time).

Business Opportunities

Consulting Services	Not applicable.
Procurement	Not applicable.

Responsible Staff

Responsible ADB Officer	Sunayama, Sonoko
Responsible ADB Department	South Asia Department
Responsible ADB Division	Regional Cooperation and Operations Coordination Div, SARD
Executing Agencies	<i>Department of Customs Tripureshwar, Kathmandu, Nepal</i>

Timetable

Concept Clearance	05 Dec 2016
Fact Finding	25 Jan 2017 to 05 Feb 2017
MRM	29 Mar 2017
Approval	07 Jul 2017
Last Review Mission	-
Last PDS Update	19 May 2017

Project Page	https://www.adb.org/projects/50254-001/main
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